



August 20, 2015

Mr. Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

AUG25'15 PM 1:41 BOARD

Mr. Poliquin:


The NCUA's proposal to expand the taxpayer subsidized credit unions' business lending cap is in complete conflict with the intent and spirit for the tax exemption granted to them. In addition, this proposal poses serious safety and soundness concerns to the insurance fund your agency is charged with protecting. NCUA has not established that it is prepared to supervise institutions with expanding business loan portfolios, and the taxpayer subsidized credit union industry has proven ill-equipped to make such loans.

At least five taxpayer subsidized credit unions since 2010 have failed at the hands of poorly run business loan programs, accounting for a quarter of all losses to the insurance fund during that period. In 2010, member business loans were the primary or secondary contributing factor for the supervisory concern for nearly half of the credit unions with CAMEL ratings of 3, 4 or 5 that made business loans. The level of delinquent member business loans dramatically rose from 0.53 percent in 2006 to 4.29 percent in 2010; compared to a total loan delinquency of 1.74 percent, this is a clear indication that taxpayer subsidized credit unions, and NCUA itself, were ill-prepared for the additional responsibilities and risks associated with commercial lending. Losses could quickly multiply under this proposed rule.

In addition, relaxing the regulatory standards is contrary to NCUA's charge of protecting the industry's insurance fund, and effectively places the taxpayer at risk. NCUA is willfully ignoring lessons from their history and encouraging credit unions to divert funds from consumer lending to commercial lending.

NCUA is overstepping its regulatory reach by expanding business lending. This proposal is contrary to congressional intent to limit business lending by taxpayer subsidized credit unions. In 1998, Congress made it clear that **taxpayer subsidized credit unions should be focused on consumer lending, not commercial lending.** Congress instituted restrictions on business lending deliberately: "to ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumers, especially persons of modest means, through an emphasis on consumer rather than business loans." By proposing this rule, the NCUA Board has blatantly disregarded congressional intent. NCUA should not undermine specific limitations by Congress nor expand the taxpayer liability.

Sincerely,



Donald P. St. Germaine
President